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12 January 1981

25X1 MEMORANDUM FOR: [REDACTED]

AD/PAO

25X1 VIA: [REDACTED]

FROM: [REDACTED]

SUBJECT: Notes on Proposal for Systems Acquisition Study

25X1 1. [REDACTED] this is obviously going to be a very informal memo. You had indicated that the systems acquisition study may well be done and that you might end up doing it and had requested that I put together whatever information was available so as to make it as easy as possible to pick up on it where I left off. It will not be as organized or as well expressed as I would like because it is being dictated with no opportunity for review on my part. That in turn primarily because of the time that was spent reworking the nuclear monitoring study paper. It will be assumed in this memo that the reader has already read the prospectus for this study (Attachment 1).

2. There were some assumptions that were made in the writing of the prospectus. One of them was that we should try to understand the impact of the review process from the very first time the reviews interact with the acquisition process. This is quite different from the approach taken in the Rand Study which used as a starting point the DSARC II that is the time at which the decision had already been made to begin full scale development (the Rand Study is supplied as Attachment 2 to this memo). Another assumption was that the effects of the program manager's perceptions on the impact of the review process were just as real as the direct impacts caused by a review. The Rand Study recognized the problems of acquiring and using "hard" data. In our case where we are starting much earlier in the process, it will be even more difficult to get hard quantifiable measures to use as a basis for analysis. This is due, in part, to the fact that in the early stages of system concept and evolution there is often not a great deal of documentation.

3. Two efforts have been made to develop a better understanding of the problem we're attempting to address by acquiring some background information. The first effort was to review the Rand Study which is included as Attachment 2. A few points should be made about it. As stated earlier, the beginning point for their efforts was what was referred to as the DSARC II milestone.

PAO N/B

SUBJECT: Notes on Proposal for Systems Acquisition Study

The DSARC milestone II is the point at which approval has been given for full-scale development. For data sources they relied primarily on the quarterly selected acquisition reports (SARs) which provided the only easily retrievable, systematic record of acquisition program data extending over the period of interest. The study was limited to "major" defense systems or programs, a major system being one so designated by the Secretary of Defense. In practice, these are the systems that are expensive, are subject to DSARC review, and are reported on the SARs. At the time of the study, approximately 50-60 systems had been reported on in this way, but the sample that Rand used was limited to about 30 systems. They excluded systems which had started full-scale development before 1969, a few systems for which data were incomplete or ambiguous, and Navy Ship Systems. Taking data from the SARs and a few other sources, they attempted to compare the performance schedule and cost of programs in the 1970s with those in the 1960s. In Chapter V they attempted to address the question, "Is it taking longer to acquire systems?--evidence from aircraft programs." The Rand study provides an interesting backdrop to what is proposed for PAO to do on systems acquisition, but it is not transferable in the approach or methodology for several reasons. The primary reasons are the starting points which they take as opposed to what we propose taking, and the second one related to the first is that we would have much less data available. Even with the SARs the problems that they had with data were considerable which they point out in the body of the report. In any event, there is no way of summarizing the significance of the Rand report as related to our study in this brief memo, but I would highly recommend reading it before initiating any real effort on our part.

4. It was suggested by [] that we attempt to have a common model of the acquisition process, at least as perceived by PBO. It became immediately apparent that the PBO monitors do not have any kind of a commonality of model of the acquisition process in mind. The PBO monitors with whom I had a chance to speak were [] and to some degree, []. Briefly, there was no consensus as to whether the review process made things better or worse, as to whether there was any reasonable model of the acquisition process, whether there should be more or less review or even as to whether the review process is interacting with the acquisition process in the right places. This is not to say that did not each have views but it is to say that there was no consensus upon which we could base any approach. I did not have an opportunity to speak with [] It would not serve any useful purpose in this memo for me to reiterate my impressions of their first comments on questions to which they had't had an opportunity to give much thought as yet. Two things are apparent, first that the PBO monitors are well worth talking to on this subject and second, that you will not come away with any fundamental truths on which to hang your hat.

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8 Dec 80

SUBJECT: Prospectus Review--Summary No. 1 (U)

4. System Acquisition in the Intelligence Community:

a. [] opened the discussion by indicating that maybe some thought should be given to including a GDIP and/or CCP system acquisition in the study. [] also noted that we need to define what we mean by a "major system acquisition."

b. [] to review the methodology which RAND used to do its study on DoD system acquisitions. [] also emphasized that our approach needs to distinguish between gathering quantitative and anecdotal information. [] also pointed out that PAO needs a conceptual model which describes the principal aspects of the system acquisition decision-making process. In this connection, [] was urged to survey the PBO Program Monitors to identify candidate systems and to model the decision-making process as best he can.

c. [] indicated that he might be reluctant to invest six man-months of effort in simply developing a guide that can be used to do a longer term study. This possibility should, however, be explicitly considered in reviewing the prospectus. [] also suggested the possibility of using a Community Working Group to help gather information for this study, develop "authoritative" assessments of the current system acquisition procedures, and make recommendations for reviewing existing procedures. Finally, [] suggested that we need "at least one good example" to use in any preliminary discussions that we have with [] on this subject. Several possibilities were briefly mentioned: []

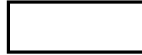
d. Pending actions are as follows:

- (1) Initiate conversation with Program Monitors.
- (2) Explore the possibility of using a Community Working Group to address this subject.
- (3) Consider the possibility of a reduced effort which simply produces a guide for a longer-term study to be done by someone else or a Community Working Group.
- (4) Revise the prospectus to reflect PAO's latest thinking on the subject. (Suspense: Monday, 29 December).

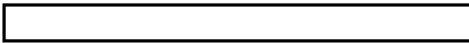
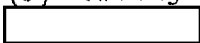
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SUBJECT: Prospectus Review--Summary No. 1



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(5) Arrange for  to meet
with  on this subject after the prospectus has
been revised.

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cc: AD/PAO



5 Dec 80

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TOPIC: Systems Acquisition in the Intelligence Community

REASON: Systems acquisition in the intelligence community has evolved towards using a more extensive review process. This has affected both the costs and the time required for an initial operational capability. Understanding the nature and magnitude of those effects and whether they have improved or inhibited timely procurement could lead to procedural changes intended to decrease the time required to have new capabilities available to the intelligence community.

OBJECTIVES: The objectives of this study would be to:

- o Understand the effects that the more extensive review process of recent years has had on total system acquisition costs and time.
- o In anticipation that those effects have both positive and negative connotations, attempt to assess a net impact.

APPROACH:

1. Background Studies - Rand Corporation did a study in 1979 on "Acquisition Policy Effectiveness: Department of Defense Experience in the 1970s."
2. Work Breakdown - As the study is to encompass a historical review of representative major system acquisitions, it is tentatively proposed to look at the following areas:
 - a. The original U-2 development program as an early acquisition.
 - b. The evolution of satellite acquisitions.

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The final selection of major systems acquisitions will be done with the programs in order to make it as representative as possible of the effects brought about by a changing review process.

3. Methodology - After reviewing the RAND study, interviews with key people involved in the acquisition process of the various systems will be conducted. While cost and time line figures should be readily available from the historical record, the context for understanding the meaning behind the numbers must come from the memories and written records of the people involved. The study will rely heavily on descriptive methods with the role of mathematical analysis yet to be determined.

IMPACT: This study will focus on building capital for future decisions on changes, if any, which should be made in the review process. If this study can demonstrate that changes in the review process will contribute to more timely acquisitions of new capabilities, the eventual results could be better intelligence sooner.

SCHEDULE:

- I. Background reading and discussion with responsible representatives of the program offices to elicit their active participation in developing the study. 1 month.
- II. Interviews with people involved in specific acquisition programs. This will include various people in the intelligence community and contractors and will involve travel. The historical records will be reviewed along with other pertinent data. 4 months.
- III. Any remaining data acquisition, analysis and writing the report. 2 months.

STAFFING AND ORGANIZATION:

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Project leader:

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Analyst:

LEVEL OF EFFORT:

For the first 5 months, it will take 3/4 of the analyst's time. For the last 2 months, 1/2 of his time.

Attachment to
Systems Acquisition in the Intelligence Community Prospectus"

It is recognized that the effect of the review process on system acquisition has many dimensions and perspectives from which it could be studied. These include, but are not limited to:

- o The variations in impact on different NFI Programs. If the various Programs handle new systems acquisitions in different ways, the effects that the review process have may vary considerably.
- o The relative significance of any impact on "major" systems, of which there are relatively few but each of which requires major resource allocations, and systems which involve less resources per project but which are more numerous.
- o Projects which have not gone to completion as well as those that have. Was the review process a significant factor in turning off the project? Was the decision primarily based on limited resources or did other factors emerge which caused the turn-off?
- o Program perceived effects of the external review process that cause programs to change procedures prior to submitting proposed projects for review.
- o Insofar as reviews have affected projects, can we detect a pattern with respect to the impact of various review groups, such as the IC Staff, OMB, policy groups, or Congressional Committees?

While such an all-encompassing study would, if completed, indeed expand our understanding of all of the implications of our present review process, such a study would require considerable resources from RMS and the Programs. The proposed study has taken a single cut through the many possible dimensions, with the intent of:

- o keeping the effort manageable
- o having the greatest potential impact for the effort devoted to the study
- o limiting the study to major systems so that a small number of projects would represent a significant sample.

7 Nov 80

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TOPIC: Systems Acquisition in the Intelligence Community

REASON: Systems acquisition in the intelligence community has evolved towards requiring a more extensive review process. This has affected both the costs and the time required for an initial operational capability. Understanding the nature and magnitude of those effects could lead to procedural changes intended to improve the time required to have new capabilities available to the intelligence community.

OBJECTIVES: The objectives of this study would be to:

- o Understand the effects that the more extensive review process of recent years has had on total system acquisition costs and time.
- o In anticipation that those effects have both positive and negative connotations, attempt to assess an overall net impact or, as an alternative, estimate a net impact in specific cases.

APPROACH:

1. Background Studies - Rand Corporation did a study in 1979 on "Acquisition Policy Effectiveness: Department of Defense Experience in the 1970s."
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SCHEDULE:

The study will occur in three phases:

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STAFFING AND ORGANIZATION:

25X1 Project leader:

25X1 Analyst:

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7 November 1980

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MEMORANDUM FOR: [REDACTED]

FROM: [REDACTED]

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SUBJECT: [REDACTED] Comments on the Systems Acquisition Prospectus

REFERENCE: D/PAO Memo, "PAO FY 1981 Study Plan" dtd 6 Nov 80

1. This memo is an addendum to the revised prospectus on Systems Acquisition. It follows the reference memo comments point-by-point.

- o I agree that the emphasis is on the decision lag and its implications rather than actual procurement time.
- o There are no representative success stories. The U-2 was chosen because it was a very early big system acquisition which helped set the tone for the early satellite acquisitions. [REDACTED] may be "unique" technically and operationally but should give a good insight into a recent acquisition that went through a special decision cycle. I am certainly not hung up on these but think they might both offer special insights. I would also welcome suggested additions or alternatives. I believe it would be a mistake to restrict the effort to satellite systems.
- o Certainly one would start with the Corona project. Other than that, about three others spread over the NRO history should suffice. I believe that the actual systems should be chosen in coordination with the NRO so as to best represent the evolution of the decision process. [REDACTED]
- o The prospectus was an abbreviated statement. The Phase II effort would not be limited to interviews but would be the time for the bulk of the effort. This would include interviews but also involve the review of historical records and any other pertinent data. I believe 4 months elapsed time is very realistic for this.

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AND METHODS INVOLVED

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- o The first 5 months would involve a concerted effort. The last 2 months would have periods of dead time while the draft reports would be circulated for comments.

2. Based on the above comments, the prospectus has minimal revisions. The prospectus now has an estimated level of effort added.



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29 Oct 80

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TOPIC: Systems Acquisition in the Intelligence Community

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